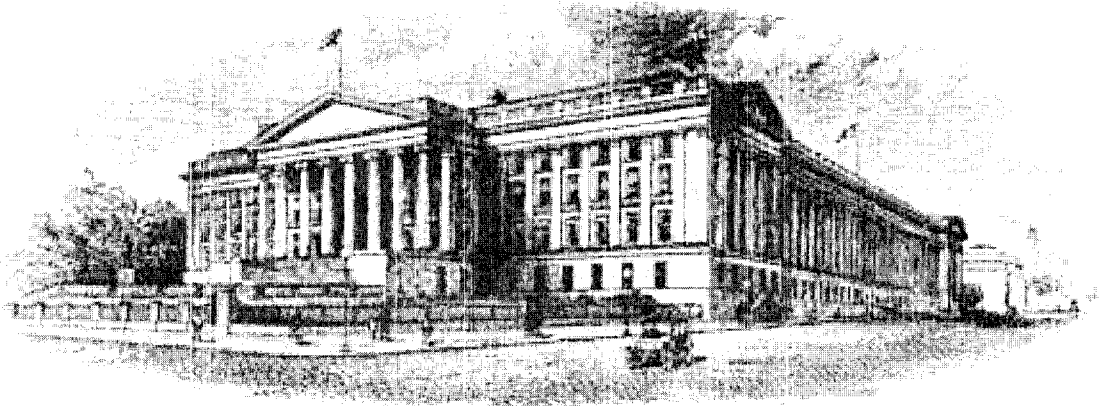




# Audit Report



OIG-05-044

Report On Controls Placed In Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Administrative Resource Center for the Period July 1, 2004 to June 30, 2005

August 19, 2005

Office of  
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 19, 2005

OFFICE OF  
INSPECTOR GENERAL

**MEMORANDUM FOR VAN ZECK, COMMISSIONER  
BUREAU OF THE PUBLIC DEBT**

**FROM:**

William H. Pugh *William H. Pugh*  
Deputy Assistant Inspector General  
for Financial Management and Information  
Technology Audits

**SUBJECT:**

Report on Controls Placed in Operation and Tests  
of Operating Effectiveness for the Treasury Bureau  
of the Public Debt Administrative Resource Center  
for the Period July 1, 2004 to June 30, 2005

I am pleased to transmit the attached Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Administrative Resource Center for the Period July 1, 2004 to June 30, 2005. We contracted with the independent certified public accounting firm of KPMG LLP to perform an examination of the general computer and accounting controls related to certain services provided by the Bureau of the Public Debt (BPD) Administrative Resource Center to various Federal Government agencies (Customer Agencies) for the Period July 1, 2004 to June 30, 2005. The contract required that the examination be performed in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Statement on Auditing Standards Number 70, *Reports on the Processing of Transactions by Service Organizations*, as amended.

The following reports, prepared by KPMG LLP, are incorporated in the attachment:

- Independent Service Auditors' Report; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

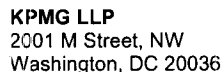
In its examination of the BPD's Administrative Resource Center, KPMG LLP found:

- the *Description of Controls Provided by the BPD* presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of June 30, 2005,
- that these controls are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and the Customer Agencies applied the controls contemplated in the design of BPD's controls,
- that the controls tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives were achieved during the period from July 1, 2004 to June 30, 2005, and
- no instances of reportable noncompliance with laws and regulations tested.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BPD's description of controls, the suitability of the design of these controls and the operating effectiveness of controls tested or a conclusion on compliance with laws and regulations. KPMG LLP is responsible for the attached auditor's report dated August 12, 2005 and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5400, or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment



We have examined the accompanying description of the accounting and general computer controls related to the Financial Management Services provided by the Administrative Resource Center of the Bureau of the Public Debt (BPD). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BPD's controls that may be relevant to Customer Agencies' internal control as it relates to an audit of financial statements, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily; and the Customer Agencies applied the controls contemplated in the design of BPD's controls, and (3) such controls had been placed in operation as of June 30, 2005. BPD utilizes a subservice organization for offsite storage of backup tapes. The accompanying description includes only those controls and related control objectives of BPD, and does not include controls and related control objectives of third-party vendors. Our examination did not extend to controls of the sub-service offsite storage organization. The control objectives were specified by BPD. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants, and applicable *Government Auditing Standards*, issued by the Comptroller General of the United States, and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of June 30, 2005. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and Customer Agencies applied the controls contemplated in the design of BPD's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specified controls, which are presented in Section III of this report, to obtain evidence about their effectiveness in meeting the control objectives, described in Section III, during the period from July 1, 2004, to June 30, 2005. The specific controls and the nature, timing, extent, and results of the tests are listed in Section III. This information is being provided to Customer Agencies and their auditors to be taken into consideration, along with information about internal controls at the Customer Agencies, when making assessments of control risk for Customer Agencies. In our opinion the controls that were tested, as described in Section III of this report, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section III were achieved during the period from July 1, 2004 to June 30, 2005.

The relative effectiveness and significance of specific controls at BPD and their effect on assessments of control risk at Customer Agencies are dependent on their interaction with the controls and other factors present at individual Customer Agencies. We have performed no procedures to evaluate the effectiveness of controls at individual Customer Agencies.



The description of controls is as of June 30, 2005, and information about tests of the operating effectiveness of specified controls covers the period from July 1, 2004 to June 30, 2005. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specified controls at BPD is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls, or the failure to make needed changes to the system or controls, may alter the validity of such conclusions.

The information in Section IV of this report is presented by BPD to provide additional information and is not a part of BPD's description of controls placed in operation. The information in Section IV has not been subjected to the procedures applied in the examination of the description of the controls applicable to the processing of transactions for Customer Agencies and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of BPD, its Customer Agencies, the independent auditors of its Customer Agencies, U.S. Department of the Treasury Office of Inspector General, Office of Management and Budget, Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

August 12, 2005